### NY State ORPTS Formula to Determine Gas Formation UPV\*

(Unit of Production Value)

# PRODUCTION INCOME \$

gross
income minus
royalties
paid out to
landowners

## PRODUCTION COSTS \$

operating
expenses, dry
hole costs,
depreciation,
tangible
investments,
depletion, other
royalties

## Cash Flow

NET CASH FLOW

\$ / MCF

UNIT OF

PROD.

VALUE

#### BASE RATE %

not less than 17.5% represents risk, intangible costs, property and income taxes

+

%

Current average yearly rate from U.S. Federal Reserve

## DISCOUNT RATE %

average over previous 5 years

Financial Risk

<sup>\*</sup> Gas formation UPV X well production volume = assessed value of a specific gas property.